



Filing Receipt

Filing Date - 2023-10-20 01:32:15 PM

Control Number - 38533

Item Number - 56

PROJECT NO. 38533

**PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION
§
§ OF TEXAS**

**SUPPLEMENTAL INFORMATION REGARDING ERCOT'S 2024/2025 BIENNIAL
BUDGET AND SYSTEM ADMINISTRATION FEE SUBMISSION**

As requested by the Finance and Audit (F&A) Committee Chair of the ERCOT Board of Directors (Board) during the October 17, 2023 Board meeting following F&A Committee discussion during its meeting on October 16, 2023, Electric Reliability Council of Texas, Inc. (ERCOT) hereby supplements, with the attached updated financial information, ERCOT's 2024/2025 Biennial Budget and System Administration Fee Submission filed August 25, 2023. This supplemental information only revises ERCOT's 2023 favorable financial variance and shows how that updated forecast flows through ERCOT's budget request, including how it impacts ERCOT's system administration fee requirements. All other assumptions remain unchanged. Updating ERCOT's 2023 forecast from the one presented for Board approval of ERCOT's budget proposal on June 20, 2023 to the one presented at the F&A Committee meeting on October 16, 2023 should enable reduction of ERCOT's system administration fee rate request from \$0.710 per MWh to \$0.690 per MWh.

Since the June 20, 2023 Board approval of ERCOT's proposed 2024/2025 budget and system administration fee rate, the full-year 2023 favorable financial variance has increased by \$36.2 million more than shown in the Board-approved 2024/2025 budget request. This favorable financial variance is driven by the following:

- Interest income is projected to be more favorable by \$27.3 million;
- System administration fee revenues are projected to be more favorable by \$6.2 million;
- Department net expenditures are projected to be approximately \$2.0 million more favorable primarily due to forecast savings from outside services, insurance premiums, and equipment purchases that are partially offset by additional IT infrastructure purchases and lower user fee revenues;
- Project expenditures are projected to be lower by \$0.5 million; and
- Debt service is projected to be lower by \$0.2 million.

Incorporation of this \$36.2 million additional favorable financial variance for 2023 into the system administration fee revenue requirement calculation in the existing 2024/2025 budget proposal should enable ERCOT to satisfy 2024/2025 budget requirements with a system administration fee rate increase on January 1, 2024 from \$0.555 per MWh to \$0.690 per MWh, rather than \$0.710 per MWh.

Following F&A Committee public discussion of the increased forecast of the 2023 favorable variance, the Committee Chair requested during the October 17, 2023 meeting of the Board for ERCOT to submit to the Commission updated 2023 forecast information in anticipation of Commission discussion of ERCOT's 2024/205 budget request at the Open Meeting on November 2, 2023. The supplemental information included in this filing is meant to aid the Commission in its discussion and deliberation and consists of three schedules that have been revised to include the updated 2023 favorable financial variance: (1) a schedule, similar in format to page 61 of ERCOT's August 25, 2023 filing, that shows ERCOT's proposed four-year system administration fee rate both as-filed at \$0.710 per MWh and as-revised at \$0.690 per MWh; (2) a revised budget summary schedule, similar to page 17 of ERCOT's August 25, 2023 filing, that incorporates the updated 2023 favorable financial variance and the \$0.690 per MWh rate; and (3) a revised sources and uses schedule, similar to page 18 of ERCOT's August 25, 2023 filing, that incorporates the updated 2023 favorable financial variance and the \$0.690 per MWh rate.

Again, ERCOT respectfully requests Commission action by November 15, 2023, to allow a Market Notice to all Market Participants 45 days in advance of the change to the system administration fee rate at the beginning of ERCOT's fiscal year on January 1, 2024.

Dated: October 20, 2023

Respectfully Submitted,

/s/ Jonathan Levine

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ATTORNEYS FOR ELECTRIC RELIABILITY
COUNCIL OF TEXAS, INC.

(\$ in Millions, except Rates)

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Line		Actual	Forecast	Request	Request	Projection	Projection	Projection	Projection	Projection	Projection
1	Year over year % fee increase			27.9%				8.5%			
2	8 Year CAGR			3.1%							
3	System Administration Fee (SAF) Rate	\$ 0.555	\$ 0.555	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.770	\$ 0.770	\$ 0.770	\$ 0.770
4	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 8.0	\$ 26.3	\$ 38.2	\$ 48.4	\$ 20.0	\$ 35.5	\$ 40.6	\$ 21.2	\$ (22.4)

- \$27.3 M more interest income
- \$6.2 M more system administration fee revenue
- \$2.0 M lower department net expenditures, primarily due to savings from outside services, insurance premiums, and equipment purchases that are partially offset by additional IT infrastructure purchases and lower user fee revenues
- \$0.5 M lower project expenditures
- \$0.2 M lower debt service

Incorporating this updated forecast into the existing calculations, while still maintaining the goal of no use of CRR funds for operations at the end of 2027, results in a calculated SAF rate of \$0.690 per MWh instead of the \$0.710 per MWh shown in ERCOT's August 25, 2023 filing with the Commission.

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Line		Actual	Forecast	Request	Request	Projection	Projection	Projection	Projection	Projection	Projection
5	Year over year % fee increase			24.3%				11.6%			
6	8 Year CAGR			2.8%							
7	System Administration Fee Rate	\$ 0.555	\$ 0.555	\$ 0.690	\$ 0.690	\$ 0.690	\$ 0.690	\$ 0.770	\$ 0.770	\$ 0.770	\$ 0.770
8	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 44.2	\$ 53.1	\$ 55.4	\$ 55.7	\$ 17.2	\$ 32.7	\$ 37.9	\$ 18.4	\$ (25.2)

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Fiscal Years 2024-2025 Budget Request: October 20, 2023 Supplemental Filing Schedule 2

ERCOT Proposed Budget Summary - Revised to Include Updated 2023 Favorable Financial Variance

(\$ in Millions, except Rates)

Budget Summary										
		2022	2023	2023	2024	2025	2026	2027	2028	2029
Line		Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1	System Administration Fee Rate (SAF)	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.690	\$ 0.690	\$ 0.690	\$ 0.690	\$ 0.770	\$ 0.770
2	Energy Consumption (TWh)	431.0	434.0	445.8	465.0	480.0	494.3	508.3	516.4	521.2
2A	Year over Year %	9.6%	0.7%	3.4%	4.3%	3.2%	3.0%	2.8%	1.6%	0.9%
3	System Administration Fee Revenue	\$ 239.2	\$ 240.9	\$ 247.4	\$ 320.8	\$ 331.2	\$ 341.0	\$ 350.8	\$ 397.6	\$ 401.4
4	Department Net Expenditures	\$ 209.7	\$ 211.1	\$ 242.4	\$ 297.1	\$ 313.3	\$ 331.9	\$ 351.6	\$ 372.5	\$ 394.6
4A	Year over Year %	11.0%	0.6%	15.6%	22.6%	5.4%	5.9%	5.9%	5.9%	5.9%
5	Project Expenditures	54.0	27.1	34.6	37.5	33.0	35.5	72.8	45.0	37.0
6	Market Design Project	-	2.4	2.0	21.6	17.2	8.0	-	-	-
7	MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
8	Total Net Expenditures	\$ 279.1	\$ 240.5	\$ 279.0	\$ 356.2	\$ 363.5	\$ 375.4	\$ 424.3	\$ 417.5	\$ 431.6
9	Net Available Before Non-Operating	\$ (39.9)	\$ 0.3	\$ (31.6)	\$ (35.4)	\$ (32.2)	\$ (34.3)	\$ (73.6)	\$ (19.8)	\$ (30.2)
10	Debt Service	\$ (5.1)	\$ (5.5)	\$ (5.2)	\$ (5.4)	\$ (5.2)	\$ (5.1)	\$ (4.7)	\$ (4.5)	\$ (4.4)
11	Interest Income	25.0	0.0	104.7	49.8	39.8	39.8	39.8	39.8	39.8
11A	Interest Rate %	1.51%	0.01%	5.00%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
12	Investment in SPE M & N	(10.6)	-	-	-	-	-	-	-	-
13	Non-Operating Sources & Uses	\$ 9.3	\$ (5.5)	\$ 99.5	\$ 44.4	\$ 34.6	\$ 34.6	\$ 35.1	\$ 35.3	\$ 35.4
14	Net Available	\$ (30.6)	\$ (5.1)	\$ 67.9	\$ 9.0	\$ 2.3	\$ 0.3	\$ (38.5)	\$ 15.5	\$ 5.2
Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund										
15	Notes Payable Balance	\$ 39.0	\$ 35.0	\$ 35.0	\$ 31.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0
16	CRR Borrowings Balance	\$ 23.7	\$ 28.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Cash Balance	\$ -	\$ -	\$ 44.2	\$ 53.1	\$ 55.4	\$ 55.7	\$ 17.2	\$ 32.7	\$ 37.9
18	CRR Fund Balance	\$ 1,973.6	\$ 997.3	\$ 2,062.4	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0
Schedule may not foot due to rounding.										

Schedule may not foot due to rounding.

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Fiscal Years 2024-2025 Budget Request: October 20, 2023 Supplemental Filing Schedule 3

ERCOT Proposed Sources and Uses - Revised to Include Updated 2023 Favorable Financial Variance

(\$ in Millions)

Sources and Uses									
	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 System Administration Fee Revenue	\$ 239.2	\$ 240.9	\$ 247.4	\$ 320.8	\$ 331.2	\$ 341.0	\$ 350.8	\$ 397.6	\$ 401.4
2* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
3 Interest Income	25.0	0.0	104.7	49.8	39.8	39.8	39.8	39.8	39.8
4 Other Revenues	8.6	20.5	15.2	18.0	18.0	18.9	19.9	20.9	21.9
5 CRR Borrowings	23.7	5.1	-	-	-	-	-	-	-
6 Decrease in Cash Balance	6.9	-	-	-	-	-	38.5	-	-
7 Total Sources	\$ 325.2	\$ 287.0	\$ 392.0	\$ 414.7	\$ 416.6	\$ 428.9	\$ 479.7	\$ 490.8	\$ 497.4
8 Department Expenditures	\$ 218.3	\$ 231.5	\$ 257.6	\$ 315.1	\$ 331.2	\$ 350.8	\$ 371.4	\$ 393.3	\$ 416.5
9 Project Expenditures	54.0	27.1	34.6	37.5	33.0	35.5	72.8	45.0	37.0
10 Market Design Project	-	2.4	2.0	21.6	17.2	8.0	-	-	-
11 MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
12* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
13 Debt Service	5.1	5.5	5.2	5.4	5.2	5.1	4.7	4.5	4.4
14 Investment in SPE M & N	10.6	-	-	-	-	-	-	-	-
15 Repayment of CRR Borrowings	-	-	23.7	-	-	-	-	-	-
16 Increase in Cash Balance	-	-	44.2	9.0	2.3	0.3	-	15.5	5.2
17 Total Uses	\$ 325.2	\$ 287.0	\$ 392.0	\$ 414.7	\$ 416.6	\$ 428.9	\$ 479.7	\$ 490.8	\$ 497.4

* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.